

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Contact Person: [REDACTED]

Telephone Number: [REDACTED]

In Reference to: [REDACTED]

Date: [REDACTED]

Employer Identification Number: [REDACTED]

Key District: [REDACTED]

Form: 1120

Tax Years: [REDACTED]

Dear Applicant:

This letter constitutes a final adverse ruling with respect to your claim of exemption from federal income taxation under section 501(c)(15) of the Internal Revenue Code.

We make our ruling for the following reasons: Your sole business is indemnifying the risks of an automobile dealership in which your owner has a majority interest, under service contracts on which the dealership is liable. Thus, your business lacks one of the principal elements of insurance, risk-shifting. Moreover, your business activities are similar to the business activities of the subsidiary described in Situation 2 of Rev. Rul. 77-316, 1977-2 C.B. 53, whose primary and predominant business activity was held not to be that of an insurance company. Consequently, because you are not an insurance company or association, you do not meet the statutory requirements for exemption under section 501(c)(15) of the Code.

Moreover, with respect to the Code section 7305(b) relief you requested, the Assistant Commissioner (Employee Plans and Exempt Organizations) has exercised her discretion and does not grant relief under section 7805(b) of the Code.

The Code and the regulations issued thereunder require that you file federal income tax returns. Based upon the financial information that you furnished, you should file returns on the form and for the tax years indicated above within 30 days from the date of this letter with your key District Director for exempt organization matters, shown above, unless you request and your key District Director grants an extension of time to file the returns. You should file returns for later tax years with

[REDACTED]

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the appropriate service center indicated in the instructions for those returns.

If you have any questions concerning the reasons for this ruling, please contact the person whose name and telephone number appear in the heading of this letter. You should address questions concerning the filing of returns to your key District Director.

Sincerely,

[REDACTED]

Chief, Exempt Organizations

[REDACTED]

copy: [REDACTED]

Form 1937-A	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
CODE	[REDACTED]					
Surname	[REDACTED]					
Date	[REDACTED]					